

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer  
Marshall Johnson  
Ken Nickolai  
Thomas Pugh  
Phyllis A. Reha

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition for Extended Area  
Service from the Frazee Exchange to the  
Perham, Vergas and Detroit Lakes Exchanges

ISSUE DATE: August 24, 2006

DOCKET NO. P-408,420,421/CP-06-711

ORDER REQUIRING COST STUDIES AND  
PROPOSED RATES

**PROCEDURAL HISTORY**

On May 12, 2006, the Commission received a petition from the telephone subscribers in the Frazee telephone exchange requesting extended area service (EAS) to the Perham, Vergas and Detroit Lakes exchanges.

On June 26, 2006, Loretel Systems, Inc. (Loretel), which serves the Frazee telephone exchange, filed a traffic study for the months of July-December, 2005.

On July 11, 2006, the Minnesota Department of Commerce (the Department) filed comments.

The Commission met on August 17, 2006 to consider this matter.

**FINDINGS AND CONCLUSIONS**

**I. EAS Installation Criteria**

The Commission's February 23, 1996 Order in Docket No. P-999/CI-94-296 sets forth the three criteria that must be met to warrant an Order to install requested EAS. The criteria are:

- The petitioning exchange is adjacent to an exchange or local calling area to which EAS is requested in the petition.
- At least 50 percent of the customers in the petitioning exchange make three or more calls per month to the exchange or local calling area to which EAS is requested, as determined by a traffic study.
- Polling by the Commission shows that a majority of the customers responding to a poll in the petitioning exchange favor the installation, unless all parties and the Commission agree that no polling is necessary.

## **II. The Department's Recommendations**

The Department verified Loretel's report that more than 15 percent of its subscribers in the Frazee exchange had signed the petition and that there was no protest concerning the validity of the petition.

The Department also stated that Loretel's traffic study revealed that more than 50 percent of all subscribers in the Frazee exchange made three or more calls per month to the Detroit Lakes exchange, satisfying the Commission's required 50 percent but that less than 50 percent of all subscribers in the Frazee exchange made three or more calls to the Perham and Vergas exchanges, not satisfying the Commission's required 50 percent.

Based on its review of Loretel's report, the Department recommended that the Commission direct the affected companies to file cost studies and proposed rates for the EAS route between the Frazee and Detroit Lakes exchanges, but that the proposed EAS routes between Frazee and the Perham and Vergas exchanges should be dismissed because they did not meet the Commission's traffic requirements.

## **III. Commission Analysis and Action**

### **A. EAS Route Between the Frazee Exchange and the Detroit Lakes Exchange**

Based on the Department's recommendation and its own review, the Commission finds that the Frazee exchange is adjacent to the Detroit Lakes exchange and that more than 50 percent of all subscribers in the Frazee exchange made three or more calls per month to the Detroit Lakes exchange. The Commission concludes therefore that the first two statutory requirements are met with respect to the proposed EAS route between the Frazee exchange and the Detroit Lakes exchange.

Accordingly, the Commission will prepare to assess the third criteria: adequate customer support. To prepare for that assessment, the Commission will direct Loretel to file cost studies and proposed EAS rates for the proposed route. Based on this information, the Commission will set EAS rates for the route and poll Frazee exchange customers to see if they favor establishment of proposed route at those increased rates.

### **B. EAS Routes Between the Frazee Exchange and the Perham and Vargas Exchanges**

Based on the Department's recommendation and its own review, the Commission finds that the Frazee exchange is adjacent to the Perham and Vergas exchanges. The Commission also finds, however, that less than 50 percent of all subscribers in the Frazee exchange made three or more calls per month to the Perham and Vargas exchanges. The Commission concludes therefore that the traffic criteria is not met with respect to the proposed EAS route between the Frazee exchange and the Perham and the Vergas exchanges. That failure is fatal to the petition regarding those two routes.

Accordingly, the Commission will dismiss the requests for those two routes.

## **ORDER**

1. Portions of the petition relating to requests for EAS between the Frazee exchange and the Perham and Vergas exchanges are dismissed.
2. Within 90 days of this Order, Loretel Systems, Inc. (Loretel) and Qwest Telephone Company (the telephone companies affected by the proposed Frazee to Detroit Lakes route) shall file cost studies and proposed rates for the Frazee to Detroit Lakes route, with each company proposing rates recovering its own costs of providing EAS. Thereafter, the affected companies shall also provide supporting information for their cost studies and proposed rates if and when requested to do so by the Commission staff and the Department.
3. Within 60 days of the filing of cost studies and proposed rates by the companies, the Department is requested to file a report and recommendation regarding proposed rates.
4. The parties shall have 20 days to respond to the Department's report.
5. The Executive Secretary shall have authority to vary the above deadlines as he may deem necessary.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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